

## **Introduction**

Good afternoon. My name is Davina Maddox, and I am the Freestanding Birth Center program manager within the Executive Office of Health and Human Services (EOHHS). I am here to present testimony on proposed amendments to regulation 101 CMR 355.00: *Rates for Freestanding Birth Center Services*, effective for dates of service on or after November 1, 2023.

## **Background**

Regulation 101 CMR 355.00 establishes the rates used by governmental purchasers to make payments for freestanding birth center (FBC) services provided to publicly aided individuals. FBCs are licensed birth centers that are freestanding and not operating under a hospital license. FBCs are designed to provide cost-effective care to low risk individuals during pregnancy, labor and delivery, and post-partum care. Regulation 101 CMR 355.00 includes three services: routine obstetrical services for the pregnant individual, including labor and delivery; initial care of the normal newborn infant, including evaluation and management; and interim labor and pre-partum services when delivery occurs at another facility. Regulation 101 CMR 355.00 includes two all-inclusive global facility payment rates—one for the pregnant individual and one for the infant—and a third global facility fee for interim labor and pre-partum services where delivery occurs at another facility, which is set by individual consideration. As specified in 101 CMR 355.00, the professional services of physicians, certified nurse midwives and certified nurse practitioners performed in FBCs are paid using the rates established in other EOHHS regulations.

The current rates, effective February 1, 2020, were established using the rate year (RY) 2019 statewide operating and capital standards per discharge that were used in calculating the RY2019 acute hospital Adjudicated Payment Amount per Discharge (APAD) under the acute hospital Request for Application (RFA). Both figures were adjusted by case-mix weights for the lowest severity of illness (SOI) level for a routine vaginal delivery and a normal newborn, respectively. The rates were set at 50% of the resulting case-mix adjusted rates with an add-on for malpractice.

### **Proposed Amendments**

The proposed amendments revise the payment rates for services covered by the FBC regulation by updating the data sources used in the current methodology to reflect the applicable components used in calculating the rate year (FY) 2022 acute hospital APAD under the RFA. They also apply a retrospective two-year cost adjustment factor (CAF) of 7.53% to the malpractice add-on to inflate the rate. This CAF was developed based on the Spring 2022 Massachusetts Consumer Price Index (CPI) optimistic forecast from IHS Markit, using a base period of quarter four of calendar year 2021 and a two-year prospective rate period of quarter three of calendar year 2023 through quarter two of calendar year 2025. As a result of these updates, the global facility rate for FBC services for the pregnant individual under procedure code 58400-TC will increase from \$2,870.49 to \$3,289.54, and the global facility rate for FBC services for the infant under procedure code 99460-TC will increase from \$861.31 to \$1,027.45. The rate for global facility payment for interim labor (S4005) will remain at individual consideration.

The proposed rate updates satisfy the requirement of M.G.L. Chapter 118E Section 13C, which requires that rates established by EOHHS for health care services be “adequate to meet the costs incurred by efficiently and economically operated facilities providing care and services in conformity with applicable state and federal laws and regulations and quality and safety standards and which are within the financial capacity of the commonwealth.”

In addition to the proposed rate updates, the proposed amendments update citations and terminology, enhance consistency with other EOHHS regulations, and otherwise increase clarity.

### **Fiscal Impact**

The proposed amendments will result in an estimated annual fiscal impact of \$14,000, or 16.36%, over FY 2022 spending of \$83,000.

This concludes my testimony.

Thank you.